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C O N F I D E N T I A L SECTION 01 OF 02 DHAKA 005388

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SUBJECT: LAST CALL! CORRUPTION AT THE END OF THE BNP
GOVERNMENT

Classified By: A/DCM Dundas McCullough; reason 1.4(d)

¶1. (C) Summary: The BNP led government is engaged in an apparently unprecedented level of grand corruption in its waning days in power. Greed and the need to finance upcoming political campaigns are driving the upswing. The widely held belief that members of the Prime Minister's and other senior ministers' families engage with impunity in systemic corruption has further fueled petty corruption at all levels, as lower officials see little risk to "getting theirs." End summary.

¶2. (SBU) The resurrection last week of a proposed \$223 million tender award for machine readable passports, visas and national identity cards (MRP-NIC) is perhaps the largest -- but by no means the only -- questionable procurement to be rushed through in the dying days of the current BNP-led government. On August 21, the Cabinet Purchase Committee considered another 19 projects worth \$122 million, approving all but two despite allegations of serious irregularities involving all the projects.

¶3. (SBU) The Purchase Committee (PC) on July 17 had rejected the Home Ministry's proposed award of the MRP-NIC contract to German bidder Giesecke and Devrient Gmbd. The PC was especially critical of the identity card component, which it said had not been authorized by the Prime Minister's office. The PC also criticized the Home Ministry for failing to prepare the legal and institutional framework for a national identity card program, for not using international experts to evaluate the tender submissions, and for entrusting such a large undertaking to a single contractor. It returned the project to the Home Ministry with instructions to re-tender a revised project for the MRP and visa only. The ministry reportedly instructed officials in early August to prepare a new tender.

¶4. (SBU) The project was resurrected on instruction from the Prime Minister's Office, according to reports. On August 15, State Minister for Home Affairs Babar confirmed in an interview with the Daily Star that the Cabinet Division had instructed him to resubmit the project to the PC. The project was not considered at the August 21 meeting of the PC, but is expected to be considered at the next PC meeting.

¶5. (SBU) Other questionable procurements under consideration or recently approved include telecom, sanitation and transportation infrastructure projects, a dozen land deals, retroactive payments for unsolicited maintenance services at government power plants, and several

power sector proposals. These join recent allegations of government support for syndicates involved in price manipulation of basic commodities, including rice and sugar, anecdotal reports of an increase in the value of bribes paid to police, magistrates and other government officials throughout the bureaucracy, and a breaking scandal involving false beneficial owner stock accounts opened to evade rules governing subscriptions to initial public offerings.

¶16. (C) It is widely believed that the Prime Minister's two sons, as well as relatives of other senior ministers, are directly involved in promoting these questionable deals in exchange for significant "commissions." In at least two tenders for police radio equipment, an apparent victory by U.S. bidder Motorola was overturned following a direct intervention from Tariq Rahman to Minister Babar on behalf of Rahman's brother Coco, who was working on behalf of Singapore Technologies. Singapore Technologies would also have a significant role in the MRP-NIC project, according to Embassy sources.

¶17. (SBU) Econoff met August 23 with Transparency International Bangladesh (TIB) (www.ti-Bangladesh.org) Executive Director Iftekhar Zaman. Zaman said the present level of grand corruption was unprecedented and significantly greater than corruption at the end of the previous Awami League government.

¶18. (SBU) Zaman cited a failure of leadership at the top and the involvement of sons of prominent government officials, including the prime minister's sons, as a major factor in the rise of grand corruption, which has become both open and notorious. He noted with irony that Bangladesh first ranked "most corrupt" on TIB's Corruption Perceptions

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Index in the last year of the Awami League government, and that BNP had used that ranking to campaign on an anti-corruption platform. The 2006 index will be released in late October, just as the government leaves office.

¶19. (C) Zaman attributed much of the corruption to pure greed but said clearly some of the money would be used to finance upcoming political campaigns. He said rumors were circulating, which were difficult to pin down, that "the Prince" (referring to Tariq Rahman) had lost a significant sum of money, much of it earmarked for elections, in a Malaysian investment deal that went bad. The rise of local syndicates controlling commodity prices, he said, is attributed to the need to raise funds to replace the lost investment. He pointed to the speed with which the new Commerce minister's campaign against the syndicates was silenced as evidence of political pressure from the "very top" (the PMO) and implicit government protection of the syndicates.

¶10. (SBU) Zaman confirmed the anecdotal evidence that the "going rate" for petty corruption was also increasing. TIB estimates that a third of primary school students must pay a bribe to be enrolled and to qualify for educational stipends, while over half the students who qualify for a stipend must pay a further bribe to actually receive their payments. In health care, TIB estimates bribes are paid by nearly a third of all patients seeking general outpatient treatment, while over half of patients requiring diagnostic procedures (such as x-rays) or operations must pay a bribe for services. A recent two-year study by TIB of corruption in Bangladesh's two largest land ports estimates customs officials extracted over \$20 million in bribes from 2003-2005 at the two ports.

¶11. (C) Zaman did not believe the increase in petty corruption reflected campaign finance pressures, saying the parties were already well funded. Instead, he attributed the increase to the prevailing climate of impunity and the shameless participation in corruption by political elites. He said TIB and other NGOs now regretted pressing for the

formation of the Anti-Corruption Commission to replace the old Bureau of Anticorruption (BAC). Despite problems at the national level, the old BAC had some good people in the field, Zaman said. The dysfunction of the new ACC has resulted in the loss of many of these people to other positions, and a lack of direction among those who remain.

¶12. (SBU) Though discouraged, Zaman was not completely without optimism. He said grassroots efforts to combat corruption at the local level were having some success. More importantly, he felt the mood of the country was finally changing from one of resignation and disinterest to one less willing to tolerate corruption. He cited the positive reception among voters to the Center for Policy Dialogue's "clean candidates" campaign and a new willingness among voters to challenge potential candidates on issues. As a result, he thinks that whichever party wins the elections, the next government will have to take a stronger stand on corruption.

¶13. (C) Comment: The BNP canceled many contracts issued in the waning days of the last government, officially because of corruption concerns though often for political reasons. If elected, the Awami League will probably take similar action against late-term BNP deals, both to demonstrate its own anti-corruption credentials and to create fresh opportunities to garner "commissions" from re-tendered contracts. For this reason, the BNP's inability to close last-minute deals in the power and energy sectors may be the one silver-lining in the otherwise dark cloud of corruption hanging over the BNP's final months in office.
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